

Message Text

LIMITED OFFICIAL USE

PAGE 01 SAN JO 04301 121639Z

44

ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-04 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-05 NSAE-00 XMB-02 OPIC-03 LAB-01

SIL-01 PA-01 PRS-01 USIA-06 /068 W

----- 077338

R 121550Z NOV 74

FM AMEMBASSY SAN JOSE

TO C/SECSTATE WASHDC 8559

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

LIMITED OFFICIAL USE SAN JOSE 4301

E.O. 11652: N/A

TAGS: EFIN CS

SUBJECT: CREDIT RESTRICTIONS IMPOSED AS BALANCE OF
PAYMENTS SITUATION EASES

1. SUMMARY: COSTA RICA HAS VIRTUALLY ELIMINATED CREDIT FOR
IMPORTED LUXURY ITEMS AND WILL REQUIRE LARGER DOWN PAYMENTS
AND SHORTER PAYMENT PERIODS FOR SIMILAR ITEMS PRODUCED OR
ASSEMBLED DOMESTICALLY OR WITHIN THE COMMON MARKET. THIS
MEASURE SHOULD HAVE A BENEFICIAL EFFECT ON COSTA RICA'S
RESERVE SITUATION WHICH IS ALREADY IMPROVING AT A STEADY
PACE AS A RESULT OF MEASURES PREVIOUSLY TAKEN BY THE CENTRAL
BANK. END SUMMARY.

2. COSTA RICAN CENTRAL BANK HAS RELEASED A LIST OF 31
ARTICLES WHICH CAN EITHER NO LONGER BE SOLD ON CREDIT OR
MUST BE SOLD ON MORE RESTRICTED CREDIT TERMS. THE LIST

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 SAN JO 04301 121639Z

CONSISTS MAINLY OF LUXURY ITEMS SUCH AS AUTOMOBILES,

MAJOR KITCHEN APPLIANCES, RADIOS AND TELEVISIONS, PHONO-GRAPHS, JEWELRY, BOATS AND FOREIGN TRAVEL. MOST OF THESE ARTICLES, WHEN IMPORTED, CAN NO LONGER BE SOLD ON CREDIT. COMPARABLE ARTICLES PRODUCED OR ASSEMBLED IN THE COUNTRY WILL REQUIRE A HIGHER DOWN PAYMENT (GENERALLY 25 PERCENT TO 40 PERCENT) AND A SHORTER LOAN DURATION (GENERALLY 12 TO 24 MONTHS). IMPORTS FROM OTHER CENTRAL AMERICAN COUNTRIES WILL RECEIVE "NATIONAL TREATMENT" UNDER THE CENTRAL BANK MEASURE.

3. THE SERIES OF MEASURES TAKEN BY THE CENTRAL BANK TO DEAL WITH COSTA RICA'S BALANCE OF PAYMENTS SITUATION, OF WHICH THE ABOVE DESCRIBED MEASURE IS THE MOST RECENT, SEEMS TO HAVE HAD ITS INTENDED EFFECT IN RESTORING STABILITY. A REPORT SAID TO HAVE BEEN PRESENTED TO THE CENTRAL BANK BY THE LOCAL IMF REPRESENTATIVES (AND RELEASED WITHOUT HIS PERMISSION) HAS JUST APPEARED IN THE PRESS HERE. IT SHOWS THAT THE PREVIOUS OUTFLOW OF RESERVES HAS BEEN REVERSED AND THAT SINCE THE 16TH OF SEPTEMBER THERE HAS BEEN A NET INFLOW OF RESERVES OF \$252,000 PER DAY, OR A TOTAL INFLOW OF \$6.8 MILLION THROUGH OCTOBER 18. THE IMF REPORT ALSO SHOWS THAT THE OUTFLOW BEGAN ON THE 10TH OF JULY WHEN UNREALISTICALLY LOW INTEREST CEILINGS WERE IMPOSED ON "FINANCIERAS," AND AVERAGED A LOSS OF \$123,000 PER DAY, UNTIL THE INTEREST RATE CEILINGS WERE ELIMINATED AND FINANCIERAS WERE PERMITTED ON SEPTEMBER 16 TO FIX RATES COMPETITIVE WITH EURO DOLLAR RATES.

4. A CENTRAL BANK OFFICIAL CONTACTED BY THE EMBASSY ABOUT PRESIDENT ODUBER'S PRESS STATEMENT THAT COSTA RICAN RESERVES HAVE FALLEN TO \$15 MILLION STATED THAT FIGURES HE HAS SEEN NEVER WENT THAT LOW. HE SAID AS FAR AS HE KNOWS THE LOWEST LEVEL REACHED BY COSTA RICAN RESERVES WAS \$27 MILLION AT THE END OF SEPTEMBER. THE LOCAL IMF REPRESENTATIVE CONFIRMS HIS INFORMATION, SO IT WOULD APPEAR THAT PRESIDENT ODUBER WAS EITHER MISTAKEN OR MISQUOTED WHEN HE MENTIONED A FIGURE OF \$15 MILLION.

LANE

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BALANCE OF PAYMENTS, CREDIT CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 12 NOV 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: cunninfx
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974SANJO04301
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740326-0040
From: SAN JOSE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741150/aaaabqlg.tel
Line Count: 98
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: cunninfx
Review Comment: n/a
Review Content Flags:
Review Date: 10 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 SEP 2002 by boyleja>; APPROVED <13 MAR 2003 by cunninfx>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CREDIT RESTRICTIONS IMPOSED AS BALANCE OF PAYMENTS SITUATION EASES
TAGS: EFIN, CS
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005